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Pictures by Peter Tanner

Video-game pioneer Bushnell is now pushing pizza with the help of a singing hippo and coin-operated entertainment.

MARKETING

A hot combination: Pizza plus show biz

Pizza is not only one of America's favorite fast foods, it is also the basis for one of the nation's faster-growing businesses, with sales mushrooming from $550 million in 1973 to $1.3 billion in 1977. Now Nolan K. Bushnell, the 35-year-old engineer who founded Atari Inc. and pioneered the booming video games industry, is out to prove that there is still room in the burgeoning but crowded pizza business for a new approach—one that blends pizza with electronics and entertainment.

Bushnell's brainchild, which brings show biz to the pizza industry, is Pizza Time Theatre Inc., of Mountain View, Calif. The company was included as part of the package when Bushnell sold Atari to Warner Communications Inc. in 1976 for $28 million. But Warner decided that pizza did not fit into its corporate strategy and sold the operation back to Bushnell in June for $500,000. He is now chairman of both Pizza Time and Atari.

While Pizza Hut, Shakey's, Straw Hat, and other national chains have pizza as their main attraction, and throw in some cartoons and music as appetizers, Bushnell's focus is on entertainment as much as food. His first pizza palace is in a 5,000-sq. ft. converted brokerage office in San Jose—a mini amusement park offering animated entertainment as well as games and food.

A singing hippo. The show side of the business features the Pizza Time Players, half a dozen human-sized, computer-controlled characters that include a rat named Chuck E. Cheese, who serves as master of ceremonies, and a Mae West-styled singing hippo called Dolly Dimples. Surrounding the eating and entertainment areas are scores of coin-operated games where kids spend quarters after they use up the free tokens given out with each food order.

The pizza and entertainment concept proved so successful over the past year and a half that this month Bushnell opened a second San Jose outlet in a 20,000-sq.-ft. former grocery store. And he is now getting ready to franchise the concept.

"Our concept works anywhere there are families," says Bushnell. While most fast-food restaurants provide convenience, drawing customers from a 5-mi. radius, Bushnell brags that Chuck E. Cheese packs them in from 10 mi. away. "We're an entirely new entertainment phenomenon," adds Gene N. Landrum, president and chief executive of Pizza Time and former general manager of National Semiconductor Corp.'s Consumer Products Div. "We compete with Marriot's and Disney's parks, but people can come here once a week instead of once a season."

At Pizza Time, an average bill is $10 vs. a $5.50 to $5.75 tab at the competition

The first Pizza Time Theatre has sales of more than $500,000 a year, and Bushnell and Landrum have devised a number of gimmicks to keep the place packed. The computerized characters (the result of nearly $2 million in research and development) are programmed to put on six two-minute shows every hour. In addition, employees scamper around dressed in Chuck E. Cheese costumes and other getups.

Many parents have called the 40 to 100 electronic games that crowd Pizza Time Theatre "electronic babysitters." The free tokens for the games—three for a large pizza and double that on weekdays—"get people hooked," according to Alan D. Rich, a former Straw Hat pizza parlor manager who now runs the second Pizza Time Theatre. In fact, says Landrum, the average bill is $10 at Pizza Time, including $2 to play the games, while an average tab is only $5.50 to $5.75 at competitive pizza operations. Part of Pizza Time's higher gross comes from the 15% premium that it charges for its pizza—a premium that Bushnell says the public does not object to because of the "free" entertainment.

Some of this extra charge must go to pay for the Digital Equipment Corp. minicomputer and the cast of fiber-glass and latex characters it controls. Despite these costs, Bushnell says that his larger restaurants and premium prices offer better profits than other chains. "We're dropping 25% to the bottom line pretax," he claims, "compared to 17% or 18% for the others."

On to Florida. The company has hired a Taco Bell veteran with an MBA from Stanford to head its training operations and a Holiday Inns graduate to oversee franchising, which Landrum figures will generate 90% of the new chain's growth. Franchisees will pay Bushnell 5% of their gross, and, in addition to their front-end payment of $20,000 for the franchise, they can lease Pizza Time's entertainment package for $1,300 a month.

Pizza Time is gearing up to mass-produce its mechanized cast of characters, and Bushnell hopes to have 40 outlets open by the end of 1979 and 200 by the end of 1981. He plans to move the chain beyond California into Florida, Ohio, Tennessee, Texas, and other areas. "These are states with a bunch of 250,000-population centers where we can plop these down," says Landrum.

Pizza Time is not the only company

mixing new entertainment with pizza. Across the country, pizza parlors have supplanted pianos with organ music, and in Houston, former Shakey's franchisee Charles B. Yeoman established Scooby's Fun Factory Pizza in October. His selling points, besides pizza and a 1929 Wurlitzer organ, are licensed Hanna-Barbera cartoon murals and teenagers who are paid $3.25 an hour to entertain customers by dressing up in $2,000 costumes of Yogi Bear and other familiar characters.

The risks. While Bushnell thinks entertainment is the wave of the future in the pizza business, a number of traditionalists are turning in just the opposite direction. "We're moving away from noisy, barracks-style restaurants and focusing instead on a high-quality product at a reasonable price," says Donald I. Smith, executive vice-president of $130 million Shakey's Inc., which pioneered sing-along pizza parlors in the 1950s.

"We're in the food business and only incidentally in some mild forms of entertainment," agrees John G. Hollingsworth, president of $60 million Straw Hat Restaurant Corp. in Dublin, Calif. He calls the Pizza Time Theatre approach "conceptually interesting" but stresses that the "jury is still out" on whether it will work. There are several risks, including the growing sophistication of television video games, the demographic trend toward smaller and older families, and backlash by parents who, Hollingsworth suspects, might tire of being "continually badgered for quarters," to say nothing of having to eat in a carnival atmosphere.

Despite such risks, Bushnell is intent not only on making inroads in the business but also on becoming No. 1. "Parents make the decision when to eat out, but the kids decide where—and we win," he says. "We intend to sell more pizza in 10 years than Pizza Hut." This gives him a long way to go: Pizza Hut Inc., a subsidiary of $3.5 billion PepsiCo Inc., operates 3,000 units and produces an annual volume of nearly $400 million. ■

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